

Message Text

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ACTION EA-13

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 SSO-00 INRE-00

CIAE-00 INR-11 NSAE-00 RSC-01 PM-03 SP-02 PRS-01

DODE-00 DRC-01 /054 W
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O P 270205Z JUL 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 3568

INFO CINCPAC HONOLULU PRIORITY

C O N F I D E N T I A L TOKYO 9817

LIMDIS

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: PINT JA

SUBJ: KISHI VIEWS ON POLITICAL SITUATION

SUMMARY. FORMER PRIMIN NOBUSUKE KISHI REVIEWED FOR JAPAN COUNTRY DIRECTOR WILLIAM SHERMAN JULY 26 LDP SET-BACK IN RECENT UPPER HOUSE ELECTION, AND STATED THAT RESTORATION OF PARTY FORTUNES REQUIRES EARLY REPLACEMENT OF PRIMIN TANAKA BY TAKEO FUKUDA. END SUMMARY.

1. KISHI BELIEVES THAT ELECTION RESULTS DEMONSTRATE LOSS OF CONFIDENCE OF PEOPLE IN PRIMIN TANAKA'S ABILITY TO DEAL WITH URGENT PROBLEMS SUCH AS INFLATION. MOREOVER, KISHI FEELS THAT POPULAR ASSOCIATION OF PRIMIN TANAKA WITH HIGH GROWTH RATE POLICIES OF PAST TENDS TO INSPIRE SPECULATION AND SPUR INFLATION. KISHI BELIEVES THAT THIS SERIOUSLY REDUCES PRIMIN TANAKA'S ABILITY TO CONTROL RENEWED OUTBREAK OF INFLATIONARY PSYCHOLOGY WHICH IS LIKELY TO OCCUR THIS FALL UNDER TWIN IMPACT OF RECENT HIGH WAGE SETTLEMENTS AND INCREASE IN UTILITY RATES TO MEET HIGHER ENERGY COSTS. ACCORDING TO KISHI, AT LEAST
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NINETY PERCENT OF BUSINESS LEADERS (ZAIKAI) HOPE PRIMIN

TANAKA WILL STEP DOWN AS SOON AS POSSIBLE, ALTHOUGH HE AGREES THAT VOLUNTARY RESIGNATION IS HIGHLY UNLIKELY.

2. KISHI FEELS STRONGLY THAT TAKEO FUKUDA IS ONLY SUITABLE REPLACEMENT FOR PRIMIN TANAKA, AS DEMONSTRATED BY HIS SUCCESS IN ASSUMING CONTROL AND TAKING STRONG MEASURES TO COOL DOWN INFLATION DURING RECENT INCUMBENCY AS FINANCE MINISTER. KISHI DISMISSED MIKI AS MAN WHO APPEALS TO PEOPLE, BUT LACKS THE KNOWLEDGE AND ABILITY TO DEVELOP POLICY.

3. KISHI IS FULLY AWARE THAT PRESENT FACTIONAL BALANCE WITHIN LDP DOES NOT INDICATE THAT ANY EARLY TRANSFER OF POWER IS LIKELY. HOWEVER, HE IS CONVINCED THAT PENT-UP FRUSTRATION F MANY YOUNGER LDP MEMBERS WILL EVENTUALLY BREAK OUT IN REBELLION AGAINST PRESENT FACTIONAL BOSSES AND PRODUCE QTE SURPRISING CHANGES UNQTE IN PART LINE-UP.

4. SINCE PRIMIN TANAKA CANNOT BE EXPECTED TO RESIGN VOLUNTARILY, KISHI BELIEVES THAT EFFORT SHOULD BE MOUNTED TO UNSEAT HIM BEFORE NOVEMBER. OTHERWISE NEW ROUND OF INFLATION IS INEVITABLE AND WHOLE PARTY WILL SUFFER.

5. KISHI DOES NOT BELIEVE SPLIT WITHIN LDP IS IN THE CARDS AND THINKS THAT PARTY LOYALTY AND DISCIPLINE WILL BE MAINTAINED.

6. COMMENT: KISHI REFLECTS GROWING CONCERN OF BUSINESS ESTABLISHMENT WITH PRIMIN TANAKA'S UNWILLINGNESS TO TAKE STRONG MEASURES TO CONTROL INFLATION AND RECOVER DWINDLING POPULAR SUPPORT. ALTHOUGH HE HAS TENDED TO OVERESTIMATE FUKUDA'S CHANCES IN PAST AND MAY BE WRONG AGAIN, KISHI NEVERTHELESS HAS IDENTIFIED A CRITICAL FACTOR WHICH SHOULD BE CLOSELY WATCHED. THIS IS ATTITUDE AND ALLEGIANCE OF YOUNGER DIET MEMBERS, HERETOFORE GENERALLY IDENTIFIED WITH TANAKA WING OF PARTY. IF THEY ARE AS DISSATISFIED AND RESTIVE AS FUKUDA AND KISHI BELIEVE, CHANGES COULD OCCUR. END COMMENT.

HODGSON

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PERSONAL OPINION, INFLATION, POLITICAL SITUATION, POLITICAL LEADERS, ELECTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 JUL 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: kelleyw0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TOKYO09817
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740204-0067
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740711/aaaaajlq.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 31 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 JUL 2002 by elyme>; APPROVED <27 FEB 2003 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KISHI VIEWS ON POLITICAL SITUATION SUMMARY. FORMER PRIMIN NOBUSUKE KISHI REVIEWED FOR JAPAN
TAGS: PINT, JA, (KISHI, NOBUSUKE)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005